

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Pioneer Township	County Missaukee
Fiscal Year End March 31, 2006	Opinion Date September 28, 2006	Date Audit Report Submitted to State October 13, 2006	

We affirm that:

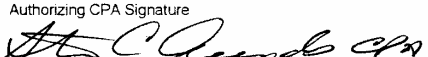
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Steven C. Arends		License Number 1101013211

**PIONEER TOWNSHIP, MISSAUKEE COUNTY**

**LAKE CITY, MICHIGAN**

**MARCH 31, 2006**

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets and Liabilities	7
Notes to Financial Statements	8-17
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	18
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	19
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	20
<u>Road Fund</u>	
Balance Sheet	21
Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	22
<b>Agency Funds</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	23
<b>Other Information</b>	
Statement of 2005 Winter Tax Roll	24
Statement of 2005 Summer Tax Roll	25
Letter of Comments and Recommendations	26-27
Letter of Reportable Conditions	28-29

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

September 28, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Pioneer Township  
Missaukee County  
Lake City, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Township, Missaukee County, Lake City, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pioneer Township, Missaukee County, Lake City, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Pioneer Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Pioneer Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$218,349. Of this amount, \$176,077 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$178,561. About 98.6% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Pioneer Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$218,349 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

**Pioneer Township**  
**Net Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 178,710
Non Current Assets	
Capital Assets	50,627
Less: Accumulated Depreciation	<u>(10,839)</u>
Total Non Current Assets	<u>39,788</u>
<b>Total Assets</b>	<b><u>\$ 218,498</u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 149</u>
<b>Net Assets</b>	
Invested in Capital Assets	39,788
Restricted for Telecommunications Right-of-Way	2,484
Unrestricted	<u>176,077</u>
<b>Total Net Assets</b>	<u>218,349</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 218,498</u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$176,077 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$9,538 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Pioneer Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 1,312
Capital Grants and Contributions	5,000
<b>General Revenues</b>	
Property Taxes	28,772
State Shared Revenue	33,942
Investment Earnings	1,873
Other Revenues	<u>228</u>
<b>Total Revenues</b>	<u>\$ 71,127</u>
<b><u>Expenses</u></b>	
Legislative	\$ 8,959
General Government	35,941
Public Safety	5,644
Public Works	2,039
Recreational and Cultural	2,822
Other Functions	<u>6,184</u>
<b>Total Expenses</b>	<u>61,589</u>
Changes in Net Assets	9,538
<u>NET ASSETS</u> - Beginning of Year	<u>208,811</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 218,349</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$9,538 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Pioneer Township comes from property taxes and state shared revenues. The Township levied 1.5 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 58.2% of total expenses. The Township spent \$35,676 in fiscal year 2006 on General Administrative expenses. Township Board represented the next largest expense at \$8,959, or 14.6% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$18,666. Depreciation expense added another \$2,503.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Pioneer Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Pioneer Township's governmental funds reported combined ending fund balances of \$178,561. Approximately 98%, or \$174,942 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$6,346 which brings the fund balance to \$177,426. Of the General Fund's fund balance \$174,942 is unreserved. All of the General Fund's functions, except for the Elections and Recreational and Cultural, ended the year with expenditures below budgeted amounts. These overages were funded by available fund balance. Property taxes amounted to \$16,461. State shared revenues were collected in the amount of \$32,786.

**Proprietary Fund** – The Township does not maintain any proprietary funds.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2006 amounted to \$39,788 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Pioneer Township**  
**Capital Assets as of March 31, 2006**

	<b>Governmental Activities</b>
Land Improvements	\$ 5,311
Buildings	23,875
Macninery and Equipment	5,285
Furniture and Fixtures	16,156
	<hr/> 50,627
Less Accumulated Depreciation	(10,839)
	<hr/>
<b>Net Capital Assets</b>	<b>\$ 39,788</b>
	<hr/>

**Long-Term Debt.** Pioneer Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Pioneer Township at 2820 W. Rhoby Road, Lake City, MI 49651.

PIONEER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 168,646
Taxes Receivable	2,483
Due from Other Governments	<u>7,581</u>
Total Current Assets	<u>178,710</u>
<u>CAPITAL ASSETS</u>	
Land Improvements	5,311
Buildings	23,875
Machinery and Equipment	5,285
Furniture and Fixtures	<u>16,156</u>
	50,627
Less Accumulated Depreciation	<u>(10,839)</u>
Net Capital Assets	<u>39,788</u>
TOTAL ASSETS	<u>\$ 218,498</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Taxes and Withholdings	<u>\$ 149</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	39,788
Restricted for Telecommunications Right-of-Way	2,484
Unrestricted	<u>176,077</u>
TOTAL NET ASSETS	<u>218,349</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 218,498</u>

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 8,959	\$ 0	\$ 0	\$ 0	\$ (8,959)
General Government	35,941	1,312	0	5,000	(29,629)
Public Safety	5,644	0	0	0	(5,644)
Public Works	2,039	0	0	0	(2,039)
Recreation and Cultural	2,822	0	0	0	(2,822)
Other Functions	6,184	0	0	0	(6,184)
Total Governmental Activities	\$ 61,589	\$ 1,312	\$ 0	\$ 5,000	(55,277)
GENERAL REVENUES					
Property Taxes					28,772
State Shared Revenue					33,942
Investment Earnings					1,873
Other Revenues					228
Total General Revenues					64,815
Change in Net Assets					9,538
NET ASSETS - Beginning of Year					208,811
NET ASSETS - End of Year					\$ 218,349

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 167,511	\$ 1,135	\$ 168,646
Taxes Receivable	2,483	0	2,483
Due from Other Governments	7,581	0	7,581
Total Assets	<u>177,575</u>	<u>1,135</u>	<u>178,710</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Payroll Taxes and Withholdings	<u>149</u>	<u>0</u>	<u>149</u>
 <u>FUND BALANCE</u>			
Reserved for:			
Telecommunications Right-of-Way	2,484	0	2,484
Road Improvements	0	1,135	1,135
Unreserved			
Undesignated	<u>174,942</u>	<u>0</u>	<u>174,942</u>
Total Fund Balance	<u>177,426</u>	<u>1,135</u>	<u>178,561</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 177,575</u>	<u>\$ 1,135</u>	<u>\$ 178,710</u>

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 178,561
--	------------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land Improvements	5,311	
Buildings	23,875	
Furniture and Fixtures	5,285	
Machinery and Equipment	16,156	
Accumulated Depreciation	(10,839)	39,788

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 218,349
---------------------------------------	------------

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 28,772	\$ 0	\$ 28,772
State Grants	38,942	0	38,942
Charges for Services	1,312	0	1,312
Interest and Rents	1,864	9	1,873
Other Revenues	228	0	228
Total Revenues	71,118	9	71,127
<u>EXPENDITURES</u>			
Legislative	8,959	0	8,959
General Government	41,163	0	41,163
Public Safety	5,644	0	5,644
Public Works	0	2,039	2,039
Recreation and Cultural	2,822	0	2,822
Other Functions	6,184	0	6,184
Total Expenditures	64,772	2,039	66,811
Net Change in Fund Balance	6,346	(2,030)	4,316
<u>FUND BALANCE</u> - Beginning of Year	171,080	3,165	174,245
<u>FUND BALANCE</u> - End of Year	\$ 177,426	\$ 1,135	\$ 178,561

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 4,316
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(2,503)
Capital Outlay	<u>7,725</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,538</u></u>

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ <u>          0</u>
<u>LIABILITIES</u>	
Due to General Fund	\$ <u>          0</u>

The accompanying notes are an integral part of the financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Pioneer Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2006, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Pioneer Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally, Pioneer Township reports the following fund types:

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The 2005 taxable valuation of Pioneer Township totaled \$11,118,187, on which ad valorem taxes levied consisted of 1.5000 mills for Pioneer Township operating purposes. The levy raised approximately \$16,461 for operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	20
Buildings	50
Building improvements	20
Public domain infrastructure	20
Vehicles	10
Machinery and Equipment	5-10
Furniture and Fixtures	5-10

Pioneer Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Road Fund	\$ 0	\$	2,039

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Chemical Bank West in Lake City, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with Section 7 of the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$68,155 of the government's bank balance of \$169,290 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Due from Other Governments	\$ 7,581
Taxes Receivable	2,483

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**B. Capital Assets**

Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Land Improvements	\$ 5,311	\$ 0	\$ 0	\$ 5,311
Buildings	21,150	2,725	0	23,875
Machinery and Equipment	5,285	0	0	5,285
Furniture and Fixtures	11,156	5,000	0	16,156
	<hr/>			
Total capital assets, being depreciated	42,902	7,725	0	50,627

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Less accumulated depreciation for:

Land Improvements	1,505	265	0	1,770
Buildings	909	468	0	1,377
Machinery and Equipment	2,671	529	0	3,200
Furnitures and Fixtures	3,251	1,241	0	4,492
	<hr/>			
Total accumulated depreciation	8,336	2,503	0	10,839
	<hr/>			
Governmental activities capital assets, net	\$ 34,566	\$ 5,222	\$ 0	\$ 39,788
	<hr/>			

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

    General Government \$ 2,238

Construction Commitments:

    The government has no outstanding construction commitments as of March 31, 2006.

**D. Interfund Receivables, Payables and Transfers**

As of March 31, 2006, there were no interfund receivable and payable balances.

Interfund Transfers as of March 31, 2006 were zero.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

    General Fund

        Telecommunications Right-of-Way \$ 2,484

    Special Revenue Funds

        Road Improvements 1,135

\$ 3,619

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a money purchase plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement age is age 65 or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 15% of compensation to the plan annually.

Township contributions to the plan for 2005-2006 amounted to \$2,816. In addition the Township paid a \$185 administrative fee. The contribution was based on 2005 calendar year wages of \$18,666.

**C. Lake Missaukee Area Fire Authority**

The Lake Missaukee Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$150 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and purchase fire equipment.

For the year ended March 31, 2006, the Township contributed \$5,644 to the Fire Authority.

The following financial information was taken from the Fire Authority's March 31, 2006 audited financial statements:

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Total Assets	\$ 578,677
Investment in Capital Assets, Net of Related Debt	460,341
Balance - Unreserved	38,574
Total Receipts	205,958
Total Disbursements	186,628
Change in Net Assets	19,330

A copy of these audited financial statements may be obtained upon request from the Fire Authority treasurer.

**D. Fire Protection Contracts**

The Township has a contract with Norwich Township and paid \$3,000 for fire protection for the period July1, 2005 to July1, 2006.

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			ROAD FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 28,274	\$ 28,274	\$ 28,772	\$ 0	\$ 0	\$ 0
State Grants	30,000	30,000	38,942	0	0	0
Charges for Services	1,300	1,300	1,312	0	0	0
Interest and Rents	1,300	1,300	1,864	15	15	9
Other Revenues	500	500	228	0	0	0
Total Revenues	61,374	61,374	71,118	15	15	9
<u>EXPENDITURES</u>						
Legislative						
Township Board	12,500	12,500	8,959	0	0	0
General Government						
Supervisor	5,200	5,200	4,800	0	0	0
Assessor	9,000	9,000	8,259	0	0	0
Clerk	5,500	5,500	4,903	0	0	0
Board of Review	800	800	540	0	0	0
Treasurer	9,000	9,000	8,516	0	0	0
Elections	2,500	2,500	5,161	0	0	0
Building and Grounds	10,000	10,000	7,959	0	0	0
Cemetery	2,200	2,200	1,025	0	0	0
Public Safety	7,500	7,500	5,644	0	0	0
Public Works	0	0	0	0	0	2,039
Recreation and Cultural	3,000	1,000	2,822	0	0	0
Other Functions	7,700	7,700	6,184	0	0	0
Contingency	5,000	7,000	0	0	0	0
Total Expenditures	79,900	79,900	64,772	0	0	2,039
Net Change in Fund Balance	(18,526)	(18,526)	6,346	15	15	(2,030)
<u>FUND BALANCE</u> - Beginning of Year	162,602	162,602	171,080	3,165	3,165	3,165
<u>FUND BALANCE</u> - End of Year	\$ 144,076	\$ 144,076	\$ 177,426	\$ 3,180	\$ 3,180	\$ 1,135

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND  
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	
Commercial Account	\$ 5,575
Money Market Account	161,936
Taxes Receivable	2,483
Due from Other Governments	<u>7,581</u>
 TOTAL ASSETS	 \$ <u>177,575</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Deductions Payable	\$ <u>149</u>
----------------------------	---------------

FUND BALANCE

Balance	
Unreserved	174,942
Reserved for Telecommunications Right-of-Way	<u>2,484</u>

Total Fund Balance	<u>177,426</u>
--------------------	----------------

TOTAL LIABILITIES AND FUND BALANCE	\$ <u>177,575</u>
------------------------------------	-------------------

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 28,274	\$ 28,274	\$ 28,772
State Grants	30,000	30,000	38,942
Charges for Services	1,300	1,300	1,312
Interest and Rents	1,300	1,300	1,864
Other Revenues	500	500	228
Total Revenues	61,374	61,374	71,118
<u>EXPENDITURES</u>			
Legislative			
Township Board	12,500	12,500	8,959
General Government			
Supervisor	5,200	5,200	4,800
Assessor	9,000	9,000	8,259
Clerk	5,500	5,500	4,903
Board of Review	800	800	540
Treasurer	9,000	9,000	8,516
Elections	2,500	2,500	5,161
Building and Grounds	10,000	10,000	7,959
Cemetery	2,200	2,200	1,025
Public Safety	7,500	7,500	5,644
Recreation and Culture	3,000	1,000	2,822
Other Functions	7,700	7,700	6,184
Contingencies	5,000	7,000	0
Total Expenditures	79,900	79,900	64,772
Excess (Deficiency) of Revenues Over Expenditures	(18,526)	(18,526)	6,346
<u>FUND BALANCE</u> - Beginning of Year	162,602	162,602	171,080
<u>FUND BALANCE</u> - End of Year	\$ 61,374	\$ 61,374	\$ 177,426

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

ROAD FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Cash

    Money Market Account

\$       1,135

LIABILITIES AND FUND BALANCE

LIABILITIES

\$           0

FUND BALANCE

    Reserved for Road Improvements

1,135

TOTAL LIABILITIES AND FUND BALANCE

\$       1,135

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Interest Earnings	\$ 15	\$ 15	\$ 9
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance	0	0	2,039
Excess (Deficiency) of Revenues Over Expenditures	15	15	(2,030)
<u>FUND BALANCE</u> - Beginning of Year	3,165	3,165	3,165
<u>FUND BALANCE</u> - End of Year	\$ 3,180	\$ 3,180	\$ 1,135



PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 2005 WINTER TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	64,076	
Township		16,461	
School			
Lake City Area Schools		111,850	
Intermediate School			
Wexford-Missaukee		<u>66,277</u>	\$ 258,664

TAXES COLLECTED

County	\$	54,405	
Township		13,979	
School			
Lake City Area Schools		93,022	
Intermediate School			
Wexford-Missaukee		<u>56,282</u>	<u>217,688</u>

TAXES RETURNED DELINQUENT

County	\$	9,671	
Township		2,482	
School			
Lake City Area Schools		18,828	
Intermediate School			
Wexford-Missaukee		<u>9,995</u>	<u>\$ 40,976</u>

PIONEER TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 2005 SUMMER TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$ 18,370	
State Education Tax	<u>66,675</u>	\$ 85,045

TAXES COLLECTED

County	\$ 16,873	
State Education Tax	<u>61,245</u>	<u>78,118</u>

TAXES RETURNED DELINQUENT

County	\$ 1,497	
State Education Tax	<u>5,430</u>	<u><u>\$ 6,927</u></u>

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 28, 2006

## LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Pioneer Township  
Missaukee County  
Lake City, Michigan

During the course of our audit of the basic financial statements of Pioneer Township for the year ended March 31, 2006, we noted the following items:

### GASB 34

The financial statements this year are new and being shown for the first time. The requirement to adopt GASB 34 has added a complete new section to the front of the audit. The new accounting standard requires the township to present its financial statements on both the modified accrual basis of accounting, and the full accrual basis of accounting. The township continues to use the cash basis of accounting internally, and the auditors assisted in converting the records to the new basis of accounting for the audit requirement.

### Capitalization Policy

The Township needs to adopt a formal capitalization policy. We will provide an example policy to assist the board.

### Telecommunications Right-of-Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result \$2,484 of the General Fund fund balance is restricted. We recommend that this money and all future Telecommunication revenues be transferred to the Road Fund and use for road construction and road maintenance projects.

### Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Pioneer Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

### Budgeting

Two General Fund categories exceeded the budgeted amount. Also, total expenditures in the Road Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

### General Recordkeeping

The accounting records for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 28, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Pioneer Township  
Missaukee County  
Lake City, Michigan

In planning and performing our audit of the basic financial statements of Pioneer Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*